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THE AGRICULTURAL SITUATION

JANUARY 1940

A Brief Summary of Economic Conditions

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FARMERS begin a new year—and a new decade—with the best prospects in a long time. Consumer buying power continues relatively high, and the prices of a number of farm products are the highest in more than 2 years. Dollar wheat became a reality in late December, and cotton topped 11 cents a pound. Markets were bidding \$1.30 a bushel for soybeans, a crop that was scarcely known commercially in the United States a dozen years ago. Dairy products were selling in late December at highest prices in nearly 2 years. The worst spot in the picture is the low price of hogs—lowest in more than 5 years—due to a production of almost record proportions in 1939. Ratio of hog prices to corn prices has become less favorable to hog producers. Probabilities are there will be no increase in pig crop this spring over last * * *. What average general farm price level in 1940? Much depends upon continuation of a conservative production program. Current supplies of food, feed, and fibers are more than enough to satisfy prospective domestic and foreign needs.

Commodity Reviews

DEMAND: Improved

THE substantially higher levels of industrial production and consumer income assure a considerably better domestic demand for farm products in the early months of 1940 than a year earlier.

Industrial production in the final quarter of 1939 exceeded that of any previous corresponding period by at least 6 percent. The carry-over effects of such sharp gains as occurred during the final months of the year are usually apparent in consumer income for several additional months.

Unlike industrial production, the income of industrial workers and of consumers in general failed to reach previous peak levels during the final quarter of last year. However, consumer buying power at the end of 1939 was as high as at any time in the last 10 years. Increased efficiency of labor and a lower price level explain in large part the lower consumer income, relative to the rate of industrial production, than 10 years earlier.

In addition to a 12 percent lower national income in 1939 than in the late 1920's the large number of unemployed industrial workers was evidence that economic activity had not yet reached "prosperity" levels. There are perhaps five times as many non-agricultural workers without jobs now as were unemployed in 1929. Although perhaps two-thirds of the increase is accounted for by the 10-year growth in the number of persons gainfully attached to nonagricultural occupations there would apparently be twice the unemployment that existed in 1929 even if in the interim there had been no increase in the number of available workers.

Although the domestic demand for agricultural products has shown significant betterment in the past 6 months, and it is expected that the higher level of demand attained during this period will be well sus-

tained, at least through the first quarter of 1940, it is apparent that further substantial increases in industrial production and employment would be necessary to a restoration of general prosperity comparable to that which prevailed in the late 1920's.

—P. H. BOLLINGER.

INCOME: Increase

Cash income from farm marketings declined seasonally in November but was larger than in the same month in 1938. Total for 11 months in 1939 was smaller than in 1938 by about 100 million dollars, but this was more than offset by larger Government payments for conservation practices and on account of parity.

Fruits, vegetables, and meat animals were the only groups showing larger cash income from marketings in the 11 months of 1939 than in the like period of 1938. Grains, cotton and cottonseed, tobacco, dairy products, and chickens and eggs yielded smaller cash income. Government payments during the period totaled 272 million dollars more than in 1938.

Month and year	Income from marketings	Income from Government payments	Total
November:			
1939---	\$665,000,000	\$75,000,000	\$740,000,000
1938---	659,000,000	48,000,000	707,000,000
1937---	713,000,000	3,000,000	716,000,000
January-November:			
1939---	6,360,000,000	715,000,000	7,075,000,000
1938---	6,457,000,000	443,000,000	6,900,000,000
1937---	7,440,000,000	358,000,000	7,798,000,000

PRICES: Lower

The general level of prices received by farmers was 1 point lower on December 15 than in mid-November. Local market prices of grains were 8 points higher, and of cotton and cottonseed 7 points higher. These sharp advances were more than offset,

however, by a 6-point decline in meat animal prices, and a decline of 20 points in poultry and egg prices received by farmers.

Indexes of farm product prices averaged 92 percent of pre-war during 1939. This was 3 points below the average level for 1938. The all-commodity index reached the peak for the year on September 15, 1939, following the outbreak of the European war. Cotton and cottonseed, fruit, and truck crops were the only groups of commodities showing a higher

Index Numbers of Prices Received and Paid by Farmers

[1910-14=100]

Year and month	Prices received	Prices paid	Buying power of farm products ¹
1938			
December.....	96	120	80
1939			
January.....	94	120	78
February.....	92	120	77
March.....	91	120	76
April.....	89	120	74
May.....	90	120	75
June.....	89	120	74
July.....	89	120	74
August.....	88	119	74
September.....	98	122	80
October.....	97	122	80
November.....	97	122	80
December.....	96	122	79

¹ Ratio of prices received to prices paid.

Prices of Farm Products

Estimates of average prices received by farmers at local markets based on reports to the Agricultural Marketing Service. Average of reports covering the United States weighted according to relative importance of district and States.

Product	5-year average, August 1909-July 1914	December 1909-13	December 1938	November 1939	December 1939	Parity price, December 1939
Cotton, lb.....	cents.. 12.4	12.2	8.20	8.80	9.71	15.87
Corn, bu.....	do... 64.2	57.7	43.1	46.8	50.3	82.2
Wheat, bu.....	do... 88.4	86.7	53.6	73.1	82.4	113.2
Hay, ton.....	dollars.. 11.87	11.99	6.81	7.51	7.71	15.19
Potatoes, bu.....	cents.. 69.7	62.3	² 61.3	69.2	70.8	86.5
Oats, bu.....	do... 39.9	38.3	24.4	32.1	34.7	51.1
Soybeans, bu.....	do... (1)	(1)	.67	.82	.97	---
Peanuts, lb.....	do... 4.8	4.6	3.31	3.39	3.43	6.1
Beef, cattle, cwt.....	dollars.. 5.21	5.03	6.40	6.89	6.85	6.67
Hogs, cwt.....	do... 7.22	6.73	6.90	5.87	5.03	9.24
Chickens, lb.....	cents.. 11.4	10.6	13.6	12.4	11.7	14.6
Eggs, doz.....	do... 21.5	29.9	27.9	25.8	20.5	³ 37.0
Butterfat, lb.....	do... 26.3	29.9	27.0	28.1	28.5	³ 36.8
Wool, lb.....	do... 18.3	18.6	² 20.3	27.6	27.5	23.4
Veal calves, cwt.....	dollars.. 6.75	6.74	8.04	8.64	8.41	8.64
Lambs, cwt.....	do... 5.87	5.52	7.08	7.48	7.38	7.51
Horses, each.....	do... 136.60	132.10	79.80	77.60	77.10	174.80

¹ Prices not available.

² Revised.

³ Adjusted for seasonality.

WHEAT: A Dollar

Dollar wheat became a reality in December as reports of continued drought came into the markets and it appeared that United States production in 1940 would be below domestic requirements. This means that despite reduced exports the carry-over of wheat will be much smaller a year and a half hence than on July 1 next.

Meanwhile, there is plenty of wheat for all requirements, the 1939-40 domestic supply having been estimated at close to 1 billion bushels. The carry-over on July 1 next has been forecast at more than 250 million bushels, and a part of this will be used to make up the deficiency in the 1940 crop.

The Argentine wheat harvest is underway and the first official estimate places the crop at 147.0 million bushels, which represents a considerable reduction in the last part of the season as a result of unfavorable weather. The crop in Australia has been estimated at 182.6 million bushels, compared with 154.4 million in 1938.

World—excluding U. S. S. R. and China—production of wheat is estimated at 4,250 million bushels, or 335 million less than the record crop of 1938. But the world supply of wheat for the current year is about 255 million bushels larger than in 1938-39, since there was an increase in the carry-over last July of 590 million bushels compared with July 1938.

COTTON: Eleven Cents

Cotton in the 10 spot markets topped 11 cents a pound in mid-December. This was the highest since August 1937. Factors in the advance include the greatly increased domestic consumption following the outbreak of the European war, improvement in domestic business conditions, the large sales of American cotton for export, increased cotton consumption in a number of important foreign countries, and the Government loan program.

Domestic mill consumption in November was the largest on record for that month. Mill activity slackened somewhat in late November but continued exceptionally high in December. Activity may decline in the next 2 or 3 months, but for the year ended July 31 next the total should exceed greatly that of last season.

Cotton consumption has declined in German-controlled territory, but this appears to be more than offset by increases in Great Britain, Italy, Holland, and Japan. United States exports totaled 2,900,000 bales from August 1 to December 27, or about 1,000,000 bales more than in the like period of 1938. Sales of cotton for export under the Domestic Export Program totaled 5,550,000 bales through December 27.

The export-payment program and the exportation of a substantial part of the more than 600,000 bales of Government-loan cotton exchanged to Great Britain for rubber were important factors contributing to the sharp increase in exports of American cotton in the last 5 months of 1939.

FEED: Plentiful

The supply of feed this season is the largest since 1932, but not so large when divided into the increased number of livestock on farms. The total supply—of corn, oats, barley, grain sorghums, wheat millfeeds, and gluten feed remaining October 1 has been estimated at 116 million tons for 1939-40. This compares with 110 million tons in 1938-39, and with 106 million tons average in the predrought period 1928-32.

Feed supplies available after October 1

	1928-29 to 1932-33	1938-39	1939-40
	1,000 tons	1,000 tons	1,000 tons
Corn.....	76,097	81,908	89,041
Oats.....	15,470	14,022	12,501
Barley.....	6,750	6,072	6,631
Grain sorghums..	2,737	2,776	2,327
Wheat millfeeds..	4,826	4,703	4,750
Gluten feed and meal.....	599	608	650
Total.....	106,479	110,089	115,900

The number of animal units on farms has been estimated at 136 million for 1939-40. This compares with 127 million in 1938-39, and with 138 million average in the predrought period 1928-32. The feed supply divided into the number of animal units indicates a supply per animal unit of 0.85 ton for 1939-40, as compared with 0.87 ton in 1938-39, and with 0.77 ton average for the predrought period.

The supply of high protein feeds for domestic utilization, in addition, is estimated at approximately 4.0 million tons for 1939-40, compared with 3.5 million in 1938-39, and with 2.3 million average for the predrought years. These figures divided into the number of animal units in the respective years show 58 pounds per animal unit for 1939-40, compared with 54 pounds in 1938-39, and with 33 pounds average for the predrought period.

CATTLE: More on Feed

More cattle are being fed in the western States this season than last. The total may equal or exceed the largest for any other season on record. This situation alters the earlier picture that smaller feeding operations in the West would tend to offset to some extent the large increase in the Corn Belt States.

July-November movement of stocker and feeder cattle—from stockyards and direct—into the Corn Belt States was the largest for the period in 15 years. An increase in numbers fed is reported in the 7 States west of the Continental Divide; about the same number of cattle is being fed this season as last in the 4 Rocky Mountain States. Reductions are reported in Texas, due to drought.

Marketings of grain-fed cattle will be larger this winter and next spring than last, but supplies of the lower grades of steers and of cows and heifers will be smaller. Total may be larger, the increase in grain-fed cattle more than offsetting the decrease in supplies of other cattle.

Prices of the better grades of slaughter steers weakened during the second week of December after advancing in late November and early December. Prices of such cattle were slightly lower than at the same time a year earlier. Prices of light-weight slaughter cattle have been high in relation to prices of heavy weight cattle in recent months. Prices of stockers and feeders were slightly higher than at the same time a year earlier.

HOGS: Prices Down

Hog marketings are increasing seasonally. Prices are around the lowest figures in 5 years. The 1939 spring and fall pig crops totaled 84 million head, which was about 13 million more than in 1938. This sharp increase has raised hog production to the pre-drought level.

The average of prices received by farmers for hogs during the first 11 months of 1939 was about \$6.50 as compared with \$7.75 in 1938. Marketings of hogs will be reduced seasonally in late winter and early spring, but producers must look to improved consumer demand to offset some of the adverse effects of increased production.

The ratio of hog prices to corn prices is less favorable for hog producers than it has been in more than 2 years. This suggests that the spring pig crop will not be increased in 1940 over 1939. A similar adjustment in the 1940 fall crop would help to improve the supply situation.

United States exports of hog products probably will increase in 1940 as a result of the European war, but no marked increase seems probable during the next few months. British imports of bacon from Denmark and Canada have continued in large volume since the outbreak of the war. United States exports of pork and lard totaled about 337.5 million pounds in the first 10 months of 1939. This was about 37 percent larger than in the corresponding period of 1938.

Pork and lard have been added to the list of surplus commodities under

the Food Stamp Plan, and the Federal Surplus Commodities Corporation has been authorized to buy lard and certain cuts of salt pork for relief distribution.

LAMBS: Prices Up

The increase in lamb feeding in the Corn Belt is expected to be larger than seemed probable in early November and the decrease in the western States will be smaller. Supplies of slaughter lambs may be smaller during the late months of the fed-lamb marketing season this year than last, due to a decrease in feeding operations in the western States. The entire season—December–April—will show an increase, but pricewise this will be offset by the stronger consumer demand for meats and the higher prices for wool obtained from slaughter lambs.

The 1939 lamb crop totaled nearly 32 million head and was only about 1 percent smaller than the high record crop of 1938. Small increases were reported in most of the important native and western sheep-producing States, except Texas where unfavorable weather conditions at lambing time greatly reduced the size of the lamb crop.

A larger proportion than is usual of the lamb crop was marketed in only feeder condition, since range conditions were unfavorable during most of the summer and fall. This resulted in a substantial decrease in slaughter supplies during the spring lamb marketing season—May–November. Federally inspected slaughter of sheep and lambs totaled 15,582,000 head during the first 11 months of 1939, compared with 16,713,000 in the like period of 1938.

Prices of slaughter lambs averaged lower in December than in November. Prices were about the same as a year earlier.

FATS, OILS: Big Supply

The supply of fats and oils is the largest on record. Production of these products from domestic materials

totaled about 8.4 billion pounds in 1939, as compared with 8 billion pounds in 1938. Increased production of lard, pork greases, beef tallow, soybean oil and linseed oil more than offset the reduced output of cottonseed, peanut, and whale oils.

Prices of most fats and oils have declined somewhat since the sharp rise following the outbreak of the European War, but all are higher than the 5-year lows of last August. Prices of lard, cottonseed oil, and corn oil are lower than at this time last year—largely because of the increased lard production—but prices of practically all other fats and oils are higher.

United States imports of fats, oils, and oil-seeds—mostly for industrial purposes—have declined sharply since the outbreak of war, whereas exports of lard, soybeans, and cottonseed oil have increased. Exports of lard to the United Kingdom have declined, but this has been more than offset by increases to a long list of other countries.

The United Kingdom, evidently, is trying to obtain as much as possible of its needed food supplies from countries attached to sterling exchange. Nevertheless, the United States is the only Nation with a large available surplus of lard for export: should shipping difficulties become more acute, the United Kingdom probably will increase purchases of lard in this country at the expense of vegetable oils from more distant places.

DAIRY: Record Output

Milk production probably will set a new high record for the season this winter. There are more cows on farms, and the prices of dairy products recently have been the highest in nearly 2 years. Feed costs more this winter than last, but feed is plentiful, and dairy-feed price ratios are fairly favorable for dairy production. Butter prices in the first half of 1940 are expected to average higher than in 1939.

Milk production totaled more than 111 billion pounds in 1939. This was the largest annual output on Government record, exceeding the preceding peak of 110 billion pounds in 1938. The output of principal manufactured dairy products was somewhat smaller than the record high in 1938, but consumption was large and stocks at the end of the year were down to average proportions.

Much of the increase in butter consumption was in the distribution of this food by the Federal Surplus Commodities Corporation. Per capita consumption of butter and of evaporated milk made new high records in 1939. Consumption of fluid milk and cream was larger than in 1938, reflecting increased consumer buying power—notably in the last quarter of the year.

The basis has been laid for increased production of milk and dairy products in the next few years. The number of milk cows changed relatively little in the last 2 years, but farmers saved a large number of heifer calves and the number of young stock on farms is more than enough to provide for normal replacements in dairy herds.

TRUCK CROPS: Higher Priced

Market prices of vegetables average somewhat higher this winter than last. Consumer buying power is better and some winter vegetables are in smaller supply this season.

Production reports as of December 1 indicated larger supplies of cabbage, carrots, cauliflower, celery, green peppers, and tomatoes grown in the United States, but smaller output of snap beans, cucumbers, eggplant, kale, lettuce and spinach. The acreage of early and second early cabbage, early beets, carrots, celery, onions, and spinach was indicated to be slightly larger than in 1939.

Production of 17 truck crops marketed fresh in 1939 was the largest on Government record. The total was nearly 44 percent larger than the average for the predrought years

1923-32. It was almost three times the quantity produced 20 years ago. Output of eight vegetables for processing was the smallest since 1934, but totaled about 20 percent more than the predrought average.

Stocks of most canned vegetables are much smaller than the large carry-over stocks in 1939, and prospects are that production of most truck crops for canning or manufacture will be increased sharply this year.

FRUITS: Lower Priced

Fresh fruits are selling at slightly lower prices than at this time last year. Domestic demand has improved but the combined production of 13 fruits is the second largest on Government record and exports have been curtailed by the European War. The commercial apple crop was 20 percent larger than the 1938 output, but production of winter pears and citrus fruits was somewhat smaller.

Loss of export markets has forced a larger proportion of the supply of apples, pears, and citrus fruits on the domestic market. Despite the large production, cold storage holdings of apples totaled about the same on December 1 as a year earlier—about 31 million bushels. Large quantities of apples were bought for relief distribution by the Federal Surplus Commodities Corporation.

EGGS: Less Profitable

Egg production has become less profitable to producers. Prices of eggs declined in December, prices of feed went up. In early December more than 6 dozen eggs were required to buy 100 pounds of poultry feed, compared with less than 4 dozen at the same time a year earlier. The feed-egg ratio usually begins to rise by the end of November, but the increase this season has been much greater than usual.

—FRANK GEORGE.

Economic Trends Affecting Agriculture

Year and month	Industrial production (1923-25=100) ¹	Income of industrial workers (1924-29=100) ²	Cost of living (1924-29=100) ³	(1910-14=100)					Taxes ⁶
				Wholesale prices of all commodities ⁴	Prices paid by farmers for commodities used in— ⁵			Farm wages	
					Living	Pro-duction	Living and production		
1925.....	104	98	101	151	164	147	157	176	270
1926.....	108	102	102	146	162	146	155	179	271
1927.....	106	100	100	139	159	145	153	179	277
1928.....	111	100	99	141	160	148	155	179	279
1929.....	119	107	99	139	158	147	153	180	281
1930.....	96	88	96	126	148	140	145	167	277
1931.....	81	67	88	107	126	122	124	130	253
1932.....	64	46	79	95	108	107	107	96	219
1933.....	76	48	76	96	109	108	109	85	187
1934.....	79	61	78	109	122	125	123	95	178
1935.....	90	69	80	117	124	126	125	103	180
1936.....	105	80	81	118	122	126	124	111	182
1937.....	110	94	84	126	128	135	130	126	187
1938.....	86	73	82	115	122	124	122	124	186
1938—December.....	104	80	82	112	120	122	120	-----	-----
1939—January.....	101	80	82	112	-----	-----	120	117	-----
February.....	99	79	82	112	-----	-----	120	-----	-----
March.....	98	79	82	112	119	122	120	-----	-----
April.....	92	75	82	111	-----	-----	120	121	-----
May.....	92	75	81	111	-----	-----	120	-----	-----
June.....	98	80	81	110	119	121	120	-----	-----
July.....	101	80	81	110	-----	-----	120	126	-----
August.....	103	83	81	109	-----	-----	119	-----	-----
September.....	111	85	82	115	122	123	122	-----	-----
October.....	121	91	82	116	-----	-----	⁷ 122	126	-----
November.....	⁷ 124	93	82	116	-----	-----	⁷ 122	-----	-----
December.....	-----	-----	-----	⁷ 115	-----	-----	⁷ 122	-----	-----

Year and month	Index of prices received by farmers (August 1909-July 1914=100)							Ratio of prices received to prices paid	
	Grains	Cotton and cotton-seed	Fruits	Truck crops	Meat animals	Dairy products	Chick-ens and eggs		All groups
1925.....	157	177	172	153	140	153	163	156	99
1926.....	131	122	138	143	147	152	159	145	94
1927.....	128	128	144	121	140	155	144	139	91
1928.....	130	152	176	159	151	158	153	149	96
1929.....	120	144	141	149	156	157	162	146	95
1930.....	100	102	162	140	133	137	129	126	87
1931.....	63	63	98	117	92	108	100	87	70
1932.....	44	47	82	102	63	83	82	65	61
1933.....	62	64	74	105	60	82	75	70	64
1934.....	93	99	100	103	68	95	89	90	73
1935.....	103	101	91	125	118	108	117	108	86
1936.....	108	100	100	111	121	119	115	114	92
1937.....	126	95	122	123	132	124	111	121	93
1938.....	74	70	73	101	114	109	108	95	78
1938—December.....	63	70	73	108	109	112	127	96	80
1939—January.....	66	71	76	96	112	109	97	94	78
February.....	66	70	78	108	116	107	91	92	77
March.....	66	71	81	114	116	100	88	91	76
April.....	67	70	82	102	114	95	87	89	74
May.....	72	72	85	110	112	92	85	90	75
June.....	73	73	93	105	107	94	83	89	74
July.....	66	73	80	101	107	96	89	89	74
August.....	64	71	70	101	101	100	90	88	74
September.....	83	76	73	114	117	107	102	98	80
October.....	77	74	73	128	112	112	108	97	78
November.....	79	75	66	130	107	117	117	97	78
December.....	87	82	65	96	101	118	97	96	79

¹ Federal Reserve Board, adjusted for seasonal variation. ² Adjusted for seasonal variation.

³ Monthly indexes for months not reported by the Bureau of Labor Statistics are interpolated by use of the National Industrial Conference Board cost-of-living reports.

⁴ Bureau of Labor Statistics index with 1926=100, divided by its 1910-14 average of 68.5.

⁵ These indexes are based on retail prices paid by farmers for commodities used in living and production reported quarterly for March, June, September, and December. The indexes for other months are interpolations between the successive quarterly indexes.

⁶ Index of farm real-estate taxes per acre. Base period represents taxes levied in the calendar years 1909-13, payable mostly within the period Aug. 1, 1909-July 31, 1914. ⁷ Preliminary.

Farm Land Values—Where Headed?

THE most drastic changes in farm land values in the history of American agriculture have occurred during the last quarter century. The upward movement in values during and immediately after the World War carried land values to a peak in 1920 that was 70 percent above the 1912-14 average. Values declined about 32 percent from 1920 to 1930, and by 1933 reached a level that was 27 percent under the pre-war average. After 1933 values in the principal agricultural sections again moved upward, the rise beginning from levels that were lower than those prevailing at any time since before 1910.

For the country as a whole values rose 4 percent each year from 1933 to 1937. After 1937 the tone of the farm real estate market was less favorable than during the preceding 4 years and values were unchanged during 1938 and declined slightly during the year ended last March. Average values in March 1939 were about 15 percent above the 1933 low, although still 16 percent below the 1912-14 average. The indications are that values have strengthened somewhat since last March, but it is probable that the increase has been moderate.

FROM 1912 to 1916, the movement in farm real-estate values appears to have been essentially a continuation of the upward trend that started somewhat before the beginning of the century. Reflecting the influence of war prices, values increased from 8 to 10 percent each year from 1916 to 1919, and then rose over 20 percent during the 12 months ended in March 1920. Although this appears to have been a rapid rise, the land value increases actually were more limited than—and lagged behind—the increases in the prices of farm products and land rents. Both prices and rents increased over 130 percent during the period from 1914-20, in contrast to a 65 percent increase in land values.

[Many inquiries have been received by BAE as to the probable course of farm land values in the next few years. The accompanying article discusses certain of the influences affecting values, against a background of a quarter century of history—carrying through the farm land boom during and after the World War, its collapse in the early 1920's, and the moderate recovery in values as farm products prices and income have increased in recent years.—Ed.]

The drop in prices received by farmers for their products after 1920 brought about a sharp decline in land values, although values declined less than prices did. Farm prices and income appear to have reached a degree of stability fairly early in the last decade, although it was not until the end of the decade that land values became adjusted to the lower post-war income and price level. Just about the time it appeared that an adjustment had been reached the depression carried prices of farm products and farm income to extremely low levels, again necessitating a complete readjustment in land values.

IN order that past movements of farm land values may be of more significance in evaluating immediate and prospective developments it is necessary that attention be given to changes that have occurred in certain of the factors affecting farm real-estate values.

One important change during the last 25 years relates to the revised outlook for land requirements arising out of population growth. In contrast with the rather rapid and continued expansion expected during the early part of the last quarter century, it is

now believed that the maximum population will be reached sometime in the next 25 years, with land needs not substantially in excess of the amount available at present. Thus, one of the compelling forces influencing value movements before and during the World War is absent in the present situation.

Other changes during the last 25 years which have affected land-value prospects in much the same way as population prospects include: a less favorable export situation, a reduction in crop requirements due to the substitution of machine for animal power, increasing possibilities for using non-agricultural raw materials in place of agricultural, and various improvements in techniques increasing the efficiency of agricultural production. With the present acreage of land in farms it is quite probable that there could be a substantial increase in agricultural production in response to a rise in farm prices.

THE course which land values have taken during the last 25 years has resulted in a changed attitude toward the security of land investments that may influence land value movements, at least in the more immediate future. During the early part of the period under review, the security of land investments was rated highly. Such investments could be readily liquidated and at the same time were expected to increase more or less continuously in value. This expectation arose out of favorable price and value trends following 1900. In many of the principal agricultural sections a decline in land values was practically unknown.

The decline in land values after 1920 is sufficiently fresh in the minds of most farmers so that the possibility of a recurrence of such an optimistic attitude in the very near future appears remote. It is quite possible that as a result of this change in confidence in farm land values farmers may react quite differently to the stimulus of price increases, especially those arising out of war demands. Instead of using

increased earnings to expand operations, it is possible that these earnings may be used to a much greater extent to retire debt obligations and to raise living standards.

THERE has also been a change during the period in the direction in which several of the more immediate market influences are operating. As a result of debt difficulties arising out of low prices and incomes, a substantial area of land is now in the hands of former lenders. The farm land holdings of 5 principal lending agencies are estimated at about 28,000,000 acres. The holdings of commercial banks, mortgage companies, and other similar types not included in this estimate are also substantial.

This situation is likely to have a repressive effect on land values for some time although the degree will depend to a considerable extent upon disposal policies followed. In addition to holdings by corporate lenders, it is probable there has been an increasing accumulation of land in estates and in the hands of elderly farmers wishing to retire. Thus the total area of land that is either pressing on the market or that likely would be offered in response to an increase in land values is much larger than was the case 25 years ago.

HIGHER farm cost levels constitute still another factor that may be expected to restrain value increases. In recent years the prices paid by farmers for commodities used in production have been from one-fourth to one-fifth higher than pre-war, while farm real estate taxes have been about four-fifths above pre-war. It is also possible that somewhat higher rates of return on land investments are currently required than was the case a quarter century ago. The low rates before the World War are usually explained on the basis of expected benefits from rising values which would justify the acceptance of low current earnings. Little or no weight has been given to value increase prospects dur-

ing the more stable periods since the War, and current earnings represented the full return expected.

OFFSETTING in part the effects of the changes tending to limit value increases are those which may be expected to operate in the direction of supporting value increases. Current mortgage interest rates are lower than those prevailing before the war, and if continued for a period may be expected to influence the earnings ratios required by those purchasing farm land. Other changes that may be expected to support value increases include a plentiful supply of credit, and lower cash requirements in case of purchase, particularly in the case of sales by corporate agencies. The amount of credit actually available for loans is affected of course by security requirements, and these probably are somewhat more stringent than was the case before and during the World War.

The expectation of a partial repetition of the World War movement of land values due to the current European war constitutes an additional element that may influence current values. However, it seems doubtful that any substantial increase in values based wholly on this attitude would occur. Even though prices rise as a result of

war demands, such increases are likely to have less influence on land values than was previously the case, because the temporary nature of the levels reached during the World War will be remembered.

Attitudes toward inflation also may have a material influence on values. Many more persons have been inflation-minded in recent years than was the case earlier in the current quarter century. The effect that this factor may come to have is largely unpredictable, but it should be recognized that certain of the conditions favorable to price inflation have existed for a number of years.

IN general, the fluctuations in farm real estate values during the last quarter century have emphasized the desirability of giving but limited weight to current farm price increases in attempting to anticipate the series of future incomes upon which values are primarily based. In addition, when consideration is given to the changes that have occurred in the factors influencing the long-time outlook for land values, temporary price increases for farm products such as those resulting primarily from war conditions would seem to warrant but a mild increase in farm real estate values.

M. M. REGAN.

A Decade of Exports and Imports

UNITED STATES foreign trade in agricultural products varied widely during the 10 years, 1930 to 1939. A precipitate drop—caused by the depression—from the beginning of the decade to 1933 (somewhat relieved by heavy exports of low-priced cotton during 1932 and 1933) was followed by a period of erratic fluctuations under the combined influence of domestic crop shortages, spotty world industrial recovery, and rapidly increasing interference with economic activity by foreign governments. At the end of the decade,

both imports and exports of farm products stood at about 60 percent of their volume in 1929.

The decade was a disastrous one for United States exports of farm products as a whole. The depression of foreign demand from 1929 to 1933 was followed by 4 years of domestic crop shortage, due to drought, which further reduced the volume of farm exports. The subsequent recovery was seriously hampered by two factors: (1) Foreign-government efforts to protect substitute sources of agricultural supply developed while United States

products had been scarce and (2) economic preparations for war in some countries. Furthermore, it was checked early in 1938 by a short recession in foreign economic conditions and brought to a temporary halt by the outbreak of the European War. Since last September every foreign country which imports considerable quantities of American farm products has made its markets subject to complete government control, so that the volume of American farm products absorbed can be expanded or decreased, almost from one day to another, according to the changing dictates of policy.

FROM 1929 to 1933, farm exports declined by 21 percent in quantity and 59 percent in value. The decline in commodities other than cotton was even more precipitate—53 percent in quantity and 68 percent in value—because heavy purchases of United States cotton were made during 1932 and 1933 to replenish foreign stocks at depression prices. Pork products and grains were among the groups of commodities which declined most. The principal factor in the export decline was the reduction of foreign demand, an important measure of which—the index of the quantity of industrial production in all foreign countries—fell by 21 percent between 1929 and 1933.

From 1933 to 1936, when the effects of drought on United States farm exports reached a peak, those exports declined in quantity by a further 28 percent of the 1929 level (making a total decline of 49 percent from 1929 to 1936), although high prices associated with both drought shortages and industrial recovery resulted in a slight rise in export value. We practically ceased shipping a number of grains and pork products for which we are ordinarily among the world's leading exporters. Cotton exports, which were not affected by the droughts, also declined greatly—39 percent—from 1933 to 1936.

DURING this period there appeared in some foreign countries the system of integrated government control of trade, production, and distribution which was probably the most significant development of the decade from the point of view of our farm exports, and which has since been adopted in one form or another by all of the leading foreign purchasers of our farm commodities. By such means as import licensing, exchange control, and subsidy payments, these governments restricted their imports to commodities considered essential and permitted purchases from only such countries considered as desirable sources of supply. An idea of the importance of this development may be gathered from the fact that German imports of American cotton fell, during these three years alone, by more than a million bales annually. In 1933, 87 percent of total German cotton imports consisted of American fiber. In 1936, the proportion was only 31 percent. By 1938, there had been a further reduction to 18 percent. Similar reductions were made in lard and other leading commodities.

Viewed from another angle, these government controls were instrumental in reducing the proportion sent to Germany of total United States farm exports from about 15 percent at the beginning of the decade to less than 5 percent during the last full year before the outbreak of war. The principal other markets in which this type of control developed early in the decade are Japan and Italy.

In late 1937, exports of grains and fruits began to rise rapidly and were followed, with a lag of something over a year, by increased exports of animal products. This result was to have been expected from the return of good weather in the United States. As for grains and fruits, the effect of good crops in the United States was reinforced by that of poor crops abroad, and the quantities shipped during 1938 were well above 1929 levels. Another favorable factor in grains was the

desire of a number of foreign countries to build up stocks of basic foods and feeds as a war reserve. The rise in grains and fruits was partly offset during the 1938-39 season by record low cotton exports due to both industrial depression abroad and the United States Government loan program. Moreover, exporters of the drought-affected products, particularly lard, found it difficult to recapture foreign markets which were being supplied by substitute commodities.

WITH the outbreak of war in 1939, just before the heavy fall movement of farm exports, the picture was again reversed. Cotton exports have been large because of depleted stocks in foreign countries, haste to cover the season's needs before the war at sea might raise transportation costs to prohibitive levels, and United States subsidy payments. Exports of grains, fruits, and pork products, however, have been reduced considerably. Fresh fruits and wheat have been most severely affected.

It is difficult to judge, on the basis of developments during the last 4 months, what the principal longer-time effects of the war on our farm exports will be. If ocean shipping becomes an important problem for the United Kingdom and France, it is possible that United States products may be favored over those from more distant southern-hemisphere sources. Concentrated foods such as grains and dried fruits may be more favored (or less harmed) than fresh fruits and tobacco. Finished products such as meats and cotton cloth may be favored over such alternative items as feeds and raw cotton. The present war is unlikely, however, to create a great demand for our farm products such as marked the later years of the World War.

IMPORTS of the agricultural products which supplement domestic farm supplies fell from a peak just before the beginning of the decade of the thirties to a trough in 1932.

They then rose, under the combined influence of drought and industrial recovery, until by 1937 their quantity was back approximately at the 1929 level. In 1938, with domestic supplies restored in most lines and United States industrial activity again depressed, they fell to a point not greatly above the 1932 low. As the decade ended, they were starting what may become a considerable rise, although probably one of lesser magnitude than that from 1932 to 1937.

Between 1929 and 1932, the quantity of supplementary agricultural imports was cut almost in half (the value fell more than 70 percent). Some of the leading items in the decline were industrial raw materials such as wool, hides and skins, and vegetable oils and oilseeds. The decline was associated with a fall, also of about one-half, in the quantity of United States industrial production.

FROM 1933 to 1937, supplementary imports as a whole almost doubled. They were stimulated throughout most of this period by the recovery of industrial production to within 8 percent of the 1929 level. Increased industrial activity meant increased demand by factories for imported (as well as domestic) raw materials and by workers for imported consumption goods. During the last 3 years of the period, this influence was strongly reinforced by that of the great droughts of 1934 and 1936. In those years we did not produce enough grains and feeds for our own use; so that prices of these normally exported commodities during the corresponding marketing seasons rose well above the world level and attracted net imports. Such imports made up for only a small part of the shortages, but they were unusual enough to cause widespread comment. Animal products were similarly affected, with a lag of a year or more to permit radically changed feed supplies to be translated into radically changed slaughter.

In 1938, industrial recovery and drought shortages were reversed at

about the same time, causing farm prices to fall and supplementary agricultural imports to be cut more than one-third in a single year. The appearance of a substantial measure of industrial recovery during 1939 has caused the quantity of imports to rise again. This development does not

appear thus far to have been affected by the European War. It is unlikely that any substantial effect will soon appear, except in the case of a few commodities for which the belligerent countries may have great need.

R. B. SCHWENGER,
Office of Foreign Agricultural Relations.

County Planning Under Way

A NEW program of comprehensive planning for agriculture through State, county, and community committees of farmers and of trained agriculturists was started about a year ago as the result of a joint agreement between the Land-Grant Colleges and the United States Department of Agriculture.

The purpose of the planning program is to coordinate the numerous action programs in agriculture, to fit them to local conditions and to formulate more effective programs, and to do all this through thoroughly democratic procedures whereby farmers, experts, and administrators working together reach agreements on desirable local adjustments and measures of action.

LOCAL land-use planning committees are now at work in all but one State. Within less than a year after the initial agreement substantial preparatory work had been reported in 830 counties, and some preparatory work is being carried on in many other areas. Prior to July 1 of this year intensive planning work was begun in 317 counties, and this is expected to be completed by next summer. Since July 1 such work has been started in 387 additional counties.

Forty-five other counties have been definitely, and 4 tentatively, selected for work under a unified county program, which is a later stage of planning. It aims to correlate current agricultural programs in the light of the goals agreed upon in the intensive

stage. In many of these counties it was necessary to complete the intensive phase before developing the unified program.

THE FOLLOWING are some of the concrete results which have already come to the attention of the Department:

Worcester and Wicomico Counties in Maryland have each agreed to appropriate \$10,000 for farm drainage work along the Pocomoke River watershed as a result of recommendations by the county agricultural planning committees in these counties.

In Minnesota, farmer backing for a rural zoning enabling act was expressed through the planning committees of two counties. This was the first time that farmers had asked for such legislation and the bill was passed at the last session of the legislature. Through the county planning committees, several of the northern counties are developing plans for putting the zoning act into effect.

In Childress County, Tex., the Prairie State's Forestry Project's planting areas are being relocated in accordance with plans developed by the county planning committee.

IN Beaver County, Okla., the Farm Security Administration uses the planning committee's map of land classification in discouraging continued occupancy of poor land areas and in building the individual farm management plans which form the basis of rehabilitation loans.

Quay County, N. Mex., has developed plans for a wildlife management area to be established in cooperation with the State Game Department. The Farm Security Administration has increased the number of rehabilitation grants, taking farmers off WPA rolls and aiding them to become again self-sufficing. The county, State, and Federal highway officials have accepted recommendations of the agricultural planning committee for the improvement of the secondary road system.

Ross County, Ohio, has organized a special agricultural advisory and coordinating committee as a result of the consideration which the planning committees gave to the problem of coordinating various agricultural programs.

In Box Elder County, Utah, planning has led to the establishment of a soil conservation district and the obtaining of Federal assistance in carrying out the district's program.

CULPEPER, Va., is another county in which a soil conservation district has been established at the suggestion of the county planning committee. A CCC camp has also been established to provide assistance to the district in carrying out its program of soil conservation. Also, at the suggestion of the planning committee, the FSA has designated the county for inclusion in the tenant purchase program. Another project of this committee, aiming toward better coordination of agricultural programs, through having all of the action agencies housed under one roof, is the construction of a new agricultural building at the county seat.

Through negotiations of the planning committee with local relief agencies, an arrangement has been worked out to facilitate shifting of relief clients back and forth between seasonal private jobs and relief, without the danger of their being ineligible for relief when the temporary job is done.

In Transylvania County, N. C., AAA, TVA, FSA, and other agencies have been brought together through the assistance of the county planning committee to develop a coordinated attack upon the agricultural problem in a portion of the county where a large part of the farmers are on some form of relief and living standards are unsatisfactorily low.

COUNTY planning committees also have aided the water facilities program on 109 projects in 15 Western States by assisting in the selection of, and doing educational work for, water facilities areas. Land-use maps prepared by county planning committees have been used in a number of instances as a basis for revised tax assessments, particularly for adjusting the valuations between areas of highly productive land and of areas with lower productivity.

The progress that has been made in organizing and inaugurating the planning program may be some indication of the extent of results to be expected in the future. All except 3 States have developed definite programs which are incorporated in written agreements between the Land-Grant College and the Department.

—ELLERY FOSTER and L. J. DUNKLEY.

Leisure on the Farm?—The average farm workday in the United States was about 1 hour shorter on December 1 than on September 1. Seasonal decline in farm operations was given as the reason. The length of the workday of the farm operator dropped from 11.7 hours to 10.3 hours, while the hired worker's day dropped from 10.1 to 9.3 hours.

Geographic differences in the length of the workday remained about the same. Farm operators in the northern and eastern dairy sections worked longer hours than those in southern and western States. The range was from 12 hours in Maine and Vermont to 9.3 in Mississippi. Hired workers also had a longer day in the North and East than in other sections.

Six Years of Marketing Agreements

MARKETING agreement programs regulate the handling of agricultural commodities in interstate or foreign commerce, and are designed to encourage market stability for farm products and to promote an orderly exchange of goods. The main objectives sought through the Agricultural Marketing Agreement Act, as stated in the declared policy of Congress, are (1) to establish returns to farmers at a level more nearly approaching the level of the prices of things that farmers buy, and (2) to promote the interest of consumers by approaching the parity level gradually and by taking no action which has for its purpose the maintenance of prices to farmers above that level.

The programs are in effect through marketing agreements and orders issued by the Secretary of Agriculture following public hearings and required determinations of industry approval. The agreement is in the nature of a contract between the Secretary and handlers who sign, while the order is in the nature of a regulation and is issued by the Secretary under certain conditions to make the terms of the agreement applicable to all handlers.

BEFORE a marketing agreement can go into effect with an order, the agreement must be signed by handlers of at least 50 percent of the volume of the commodity handled in the prescribed marketing or producing area, and it must be determined that the issuance of the order is approved by at least two-thirds of the producers, by number or by volume of the commodity. A referendum is authorized by the Act for the purpose of determining producer approval, and cooperatives have the privilege of voting for their members.

If the issuance of an order has the necessary producer approval, but the required proportion of handlers fail to sign the agreement, then the order may be issued by the Secretary with the

A means for three-way cooperation of farmers, handlers, and Government in improving selling conditions for a number of agricultural commodities is provided by marketing agreement programs authorized by the Agricultural Marketing Agreement Act of 1937.

More than 45 marketing agreement programs are in effect for milk and dairy products, fruits, vegetables, nuts, tobacco, and hops. These programs directly affect over 1,300,000 producers. The farm value of commodities under marketing agreement programs for fluid milk, exclusive of dairy products, and programs for the various crops approximated \$300,000,000 in 1939.

The accompanying article describes the developments in legal authority for marketing agreements during the last 6 years, the objectives, and the requirements for the issuance of agreements and orders. Next month an article will deal specifically with programs affecting fruits, vegetables, and other crops.—Ed.

approval of the President. All programs in the fruit and vegetable field are under marketing agreements and orders, whereas most of the programs for fluid milk markets are in effect under orders without agreements.

While marketing agreements may be used for any agricultural commodity, orders may be issued only for specified commodities. These are milk and its products, all fresh vegetables, fresh fruits (in the case of apples only those produced in Washington, Oregon, and California), olives and asparagus for canning, tobacco, pecans, walnuts, soybeans, naval stores,

package bees and queens, and hops.

Regulations under marketing agreement programs apply to handlers of agricultural commodities. They do not apply to farmers in their capacities as producers.

ORIGINALLY, marketing agreement programs were provided by the Agricultural Adjustment Act of 1933 which contained only four paragraphs authorizing the Secretary to enter into marketing agreements and to issue licenses. Provisions giving the details, or even the general scope, of a marketing agreement program were lacking. At that time the thought was that the marketing agreement programs might be used as an alternative approach to the production control features of the 1933 act.

A clearer concept of the role which could be played by these programs was developed after some experience. Producers and handlers of agricultural commodities found that these programs could provide the legal basis for voluntary industry efforts to exercise a reasonable degree of control over market supplies and prices. Cooperatives saw in them an opportunity to make group action more effective through an extension of the principles of cooperation. They felt that the marketing agreement programs could provide the capstone to the cooperative movement in agriculture. Others saw in these programs an opportunity for encouraging closer working relationships between producers and handlers of farm products.

THE early programs under marketing agreements and licenses ran into frequent legal complications in which the question of constitutionality was raised, making enforcement through the courts difficult. Following the Supreme Court's decision declaring unconstitutional the National Industrial Recovery Act, Congress in 1935 amended the marketing agreement provisions of the Agricultural Adjustment Act to remove certain features believed to be objectionable

and to give greater definition to the detail and scope of marketing agreement programs. The amendments continued in effect the then existing marketing agreements and licenses; but, in addition to continuing the Secretary's authority to enter into marketing agreements, provided for the issuance of orders instead of licenses in the future. Provisions which could be incorporated in orders were spelled out, and the issuance of orders was limited to specified commodities.

The 1935 amendments gave definite recognition to the relationship of producer cooperatives to the marketing agreement programs, and, among other requirements, provided for a determination of producer approval before an order could become effective with or without a marketing agreement. Provision was also made for Federal-State cooperation in the development and administration of marketing agreement programs. Arrangements for joint administration of Federal-State programs have been worked out between the Federal Government and eight States.

NEW legal difficulties for the marketing agreement program arose after the January 6, 1936 decision of the Supreme Court against the production control and processing tax features of the Adjustment Act. Several lower courts differed as to the separability of the marketing agreement provisions from the production control features which had been declared unconstitutional. To meet this situation, Congress passed the Agricultural Marketing Agreement Act of 1937 which reenacted, amended, and supplemented the marketing agreement provisions of the Agricultural Adjustment Act as amended in 1935.

Since the Marketing Agreement Act was passed, enforcement of the program has been supported either by rulings of lower courts or through appeals to higher courts. The most significant legal development took place on June 5, 1939 when the

Supreme Court upheld the validity of orders regulating the handling of milk in the New York and Boston markets and confirmed the constitutionality of the Marketing Agreement Act under which the two orders were issued.

DECISIONS of the courts since the Marketing Agreement Act went into effect have built up a backlog of legal precedent which makes possible more expeditious handling of enforcement cases. Also, in the 6 years the marketing agreement programs have been available, much has been learned

concerning possibilities and limitations of this new approach to the marketing problems of farmers. The policies which are being followed in the development and operation of these programs have grown out of practical operating experience. Today finds the marketing agreement programs taking their place as permanent machinery which is available to farmers as an aid to improving marketing conditions.

NATHAN KOENIG,
*Division of Marketing and
Marketing Agreements.*

Conservation in the 1940 AAA Program

MORE soil conservation for every dollar spent for soil-building payments is a major aim of the 1940 AAA program which has been drafted in final form and which farmers are now ready to put into use. This aim is in line with the policy laid down by Secretary Wallace in November that additional measures be taken in 1940 and succeeding years to step up the efficiency of all the conservation efforts of the Department's programs. To carry out this aim in the AAA program, the credits for various soil-building practices now place more emphasis on those soil-building practices that are not carried out normally on a large proportion of farms. Simultaneous with this adjustment in soil-building credits, acreage goals and payment rates were set.

Farmers working under past programs have kept their plantings of soil-depleting crops in line with good soil-conservation practices and with current market requirements. They have also been building up reserves against emergencies.

The acreage taken out of soil-depleting crops has not been idle acreage. It has been used to make farming more profitable. In many instances farmers are producing soil-depleting crops more efficiently on a smaller acreage. This

means that they have more acres for legumes and grasses which furnish feed and also have the added virtue of improving the soil.

NEW seedings of soil-conserving crops have averaged about 30 million acres annually, and for these seedings soil-building payments were made. However, not all of these seedings needed the incentive of soil-building payments. Farmers regarded their value as feed and as soil-improvers as sufficient to warrant their use. It was this circumstance that made it possible for the Agricultural Adjustment Administration to adjust the credits for soil-building practices, in order that the payments could be used to better advantage in obtaining improved farm practices.

Accordingly, the 1940 program reduces the credit for carrying out practices that are carried out normally on a substantial number of farms. This leaves available more funds to serve as an incentive for practices not carried out normally. Thus the credit for seeding alfalfa is reduced from two units per acre to one unit, each unit being the equivalent of \$1.50. Credit for seeding annual ryegrass, annual sweet clover, biennial legumes, perennial legumes, perennial grasses and

legume and grass mixtures, has been reduced from one unit per acre to one-half unit.

Similar reductions have been made in the credit given for other practices whose efficiency in getting results above those normally expected is comparatively low. In this way payments may better serve to get conservation over and above the results obtained normally from the incentive of sound farming.

WHILE the total acreage goal for soil-depleting crops for 1940 of 270 million to 285 million acres is the same as that for the preceding year, some changes have been made in the special goals, notably those for corn and wheat. The corn goal is 88 million to 90 million acres, as compared with the 1939 goal of 94 million to 97 million acres. This reduction was made because of large supplies of corn and because of increased acreage yields resulting from the use of hybrid corn seed, tractors, and the tendency under the program to concentrate on the better corn land.

The acreage goal for wheat is 5 million acres larger than that for 1939. The goal for 1940 is 60 million to 65 million acres. Increased acreage allotments are possible because of the adjustment made in 1939 in wheat supplies. As in the case of corn, the change in the wheat acreage allotment was made to comply with the formulas

established in the Agricultural Adjustment Act of 1938. The rice goal was increased, and the goals for several types of tobacco were reduced, particularly flue-cured tobacco, supplies of which are large.

Payments on the normal yield of allotted acreages of corn, and Burley and flue-cured tobaccos will be higher than those under the previous program as the result of the decrease in acreage goals and allotments. Lower rates of payment for rice and wheat reflect larger allotments.

COMPARISON of the rates for 1940 with those of 1939 is as follows:

Payment to be on normal yield of 1940 acreage allotment	1940 payment rate	1939 payment rate
Corn, per bushel.....	10¢	9¢
Cotton, per pound.....	1. 6¢	1. 8¢
Wheat, per bushel.....	9¢	17¢
Rice, per 100 pounds.....	6. 5¢	9¢
Peanuts, per ton.....	\$2. 50	\$3. 00
Potatoes, per bushel.....	3¢	3¢
Tobacco (per pound):		
Flue-cured.....	1¢	. 8¢
Burley.....	1¢	. 8¢
Fire and dark air-cured.....	1. 2¢	1. 26¢
Type 41.....	. 6¢	1. 0¢
Cigar filler and binder (other than types 41 and 45).....	1¢	1. 0¢
Georgia-Florida Type 62.....	1. 2¢	1. 5¢
Commercial vegetables, acre.....	\$1. 50	\$1. 50
General soil-depleting crops:		
In area A (surplus feed crop area), per acre.....	\$1. 10	\$0. 99

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Leases for Farm Tenants

NEARLY half of all United States farmers are tenants or sharecroppers, and approximately 1 million of these families move every year. Probably another million families have little or no promise of continued tenure.

In Georgia 76,250 tenant families, or 30 percent of all Georgia farmers, had been where they were less than 1 year, according to the Agricultural Census of 1935. In Mississippi 83,762 tenant families, or 27 percent, were in

that position; in Oklahoma, Arkansas, and Alabama, 26 percent; in Texas, 24 percent; in South Carolina, 22 percent; in Louisiana, 20 percent; in Tennessee, 19 percent; and in North Carolina, 18 percent. Mobility of tenants and sharecroppers in a number of other States was only slightly less.

ALL PEOPLE within a community, including landlords, suffer the ill effects of this annual shifting of families from farm to farm, and in many

cases from community to community. A survey in Oklahoma several years ago revealed that the cost of moving to the average Oklahoma tenant was about \$50. A more recent study in Wisconsin reveals that the average Wisconsin tenant incurs a cost of about \$150 per move and that the cost to the Wisconsin landlords is at least as much as the cost to the tenants.

Some tenants move to farms of their own, some to better farms or better communities, and some to obtain better school or church advantages. Some move for better markets or better roads, for more healthful locations, and for various other good reasons. But most of the moving of tenants and sharecroppers is a vain search for better conditions, without advantage or benefit to tenants, to landlords, or the community.

PEOPLE are reluctant to admit that ownership of the land may not be within the reach of every tenant and sharecropper. Yet there is nothing in the picture at present which seems to give promise that the average tenant or sharecropper may reasonably hope to become a farm owner within his lifetime. The money required to offer ownership to all of the 2,865,155 tenants and sharecroppers, at the conservative figure of \$5,000 each, would total more than 14 billion dollars. Moreover, it is generally agreed by informed persons that many tenants and sharecroppers do not have the managerial ability, initiative, and self-reliance to own and operate farms so as to produce a living and make the farms pay out over a period of years.

IF FARM ownership is within the reach of only the more capable and more self-reliant farmers, then the most difficult and most important phase of the problem is in devising effective means of providing security of tenure for those who will continue as tenants or sharecroppers. Thus, the approach to the problem is twofold: (1) Every possible assistance must be given to capable and ener-

getic tenants in acquiring and retaining ownership of farms; (2) definite measures must be developed and applied to afford reasonable security on the land for those who are not able to achieve farm ownership, or who must wait a number of years for the opportunity.

Improvement in the tenure system to afford greater security on the land for tenants and sharecroppers may prove to be one of the soundest and most effective means of advancing them toward farm ownership.

FARM tenancy is not necessarily bad nor is investment ownership of farms necessarily objectionable. So long as there are farm families who desire and need to make their living by tilling the soil and who are unable to buy farms of their own it is necessary that others own farms which can be made available to them. The public interest is served so long as the terms and conditions of renting are equitable and fair, and so long as security and stability of tenure are afforded to tenant and sharecropper families.

Important as this human element is, however, it is not the whole story. There is the problem of soil erosion. It is virtually impossible to get good soil conservation measures on farms which change hands every year. Tenants on such farms have to get everything they can out of the farm in the 1 year to provide a living for themselves and their families. And the owners of these farms are, and almost have to be, concerned more with getting a yearly return on their investment than in conservation of the soil resources for the future.

ASSUMING that everything possible will be done to aid capable tenants in achieving and retaining farm ownership, consideration must be given to ways of providing security on the land for those who must continue as tenants or sharecroppers. For the time being, at least, the chief hope for improvement and for ultimate solution must be based upon a care-

fully planned educational program which will enlist the joint cooperation of landlords and tenants and will stimulate widespread and intelligent public consideration. Corrective State legislation will largely grow out of such an educational program.

The approach must be definite and concrete. Lease forms of a simplified and understandable type and equitable to both parties may serve as the most effective tool with which to undertake improvements in the tenure system and may provide the avenue through which to stimulate public discussion and thinking. The most direct and practical approach to the problems and relationships of an individual landlord and his tenant is through the process of agreeing upon and signing a written lease.

A GOOD lease should conform to the following points: It must be in writing, in clear and understandable language, and in good-sized type; it should be as fair to one party as the other; important details with reference to the operations of the farm, the contributions of each party and the rates of rent, must be outlined clearly and unmistakably; it should give the tenant an opportunity to make a good living on the farm; definite provisions with regard to the maintenance, repair, and improvement of the farm must be set forth; finally, it should contain an agreement between the parties that they will arbitrate any differences or disputes.

Practically all of the tenant farmers who are clients of the Farm Security Administration have written leases instead of vague oral agreements, and about 25 percent of these leases are for more than 1 year. Leases were prepared especially for use by re-

habilitation clients of the FSA but they are equally useful in meeting the needs and conditions of other tenants and landlords.

DURING the past year, the farm tenure problem and leasing procedure have been discussed in regional, State, and county conferences of agricultural workers and local citizens the country over. Landlords and tenants in many counties have sat down together in conference, discussed common problems and needs, and considered measures to improve their leasing arrangements and relationships.

To an increasing extent landlords and tenants are requesting assistance in their leasing arrangements. In the past year more than 8,000 sets of improved lease forms and related materials were distributed by the Department of Agriculture upon direct request from landlords and tenants. A much larger number of requests for lease forms and for assistance in leasing procedure was received by county, State, and regional offices of the FSA and of other agencies of the Department. More than two-thirds of these requests for assistance came from landlords.

More recently farm tenure and tenure improvement have been made a part of the general approach to Land Use Planning and a part of the work of State and County Land Use Planning Committees. Plans are being formulated by which it is expected that all action agencies of the Department of Agriculture, working with and through State committees and State institutions, will join in a unified approach to the tenure problem.

DOVER P. TRENT.

Crop Insurance: One out of every four farmers who insured their 1939 wheat production under the Federal "all-risk" crop insurance program has received an indemnity to make up for unavoidable crop loss. Crop insurance was in force on approximately 7,600,000 acres in 31 States. The wheat yield in these States as a whole was 10 percent below the average yield of the insurance base period, 1926-35. Crop losses were particularly severe in Nebraska, Kansas, Oklahoma, Texas, and South Dakota.

The World's Largest Produce Market

NEW YORK CITY is the world's largest market for fresh fruits and vegetables. Its annual supplies, arriving by all forms of transportation, average about one carload a minute for the daylight time of every working day in the year. The 212,000 carloads received last year came from 42 States and many foreign countries. Nearly one-eighth of the total commercial production in the entire United States finds its way to that one great market, and values established there influence the prices of hundreds of thousands of carloads sold in other parts of the country. The New York market is in every sense of national importance.

Three-fourths of the total supply is handled through the great Washington Street market section of Lower Manhattan. The other fourth consists principally of receipts at farmers' markets, direct receipts at chain store warehouses, and commodities such as potatoes, watermelons, and juice grapes, which are mostly handled in separate, specialized markets.

THE Washington Street market is located along the lower west side of the Island of Manhattan, in the very shadow of the great skyscrapers of the financial district. Not for any particular reason is it located on some of Manhattan's highest priced land—the market has just always been there, or at least, for more than a century. For 12 blocks it extends along either side of Washington Street—one of those deep and narrow canyons built by man on this densely populated island. Three modern motortrucks side by side fill Washington street from curb to curb, and with one parked at either side, there is only enough space for one truck at a time to move through the center lane. Cross streets are but little wider. Old store buildings open from the sidewalks—and open from only one narrow street. Built solidly against the buildings of the next street, they have no rear

Farmers and shippers have long complained of conditions in the fruit and vegetable market of New York City. Many of its facilities are antiquated and seriously outgrown, resulting in wasteful methods and excessive costs in the handling of the present day volume of supplies. The substantial savings which could be made would benefit producers throughout the nation, as well as consumers in that great metropolitan area. This article describes some of the evils and shortcomings of the market which are most in need of correction.—Ed.

entrances or loading platforms in these blocks.

Each night there comes to these stores a long procession of huge over-the-road motortrucks, bringing produce from the entire Atlantic seaboard, from New England to Florida. Each night come the contents of hundreds of railroad cars, hauled by other trucks from nearby unloading piers or from distant team tracks—for Washington Street has no direct rail connections with the outside world whence comes this endless stream of supplies. Each night there come, too, the cargoes of many ships, berthed at their piers along the rivers. Through this Lower Manhattan market there is handled each working night an average of more than 500 carloads of fresh fruits and vegetables, arriving by rail, truck, and boat.

THEN come the trucks of thousands of buyers, to load their purchases and rush them away to stores, push carts, and fruit stands before they are wilted by the morning sun. Trucks, trucks, everywhere—by actual count a total of between 3,000 and 4,000 coming and going during each night,

of which 1,200 to 1,350 are in the market area at any one time between midnight and 7 a. m. With most streets only 30 feet wide, the trucks must stand parallel to the curb, and only about 400 can be parked in the spaces adjacent to produce stores. The other 900 must stand in long lines of waiting traffic, or are parked on side streets and back streets.

Deliveries from stores to trucks are made chiefly by porters using small hand trucks. Along crowded sidewalks, among towering stacks of produce, these hand trucks weave in and out. At the corner they are wheeled off the curb with a thud, and then jiggled along cobblestone streets, loaded with the tender and highly perishable fruits and vegetables which have been handled so carefully all the way from farm or orchard, perhaps 3,000 miles away, that they might arrive at the market in good condition.

Relies of bygone days, fronting on narrow streets, with no loading or unloading platforms, these old store buildings are in a sorry plight when called upon to act as terminals for fleets of modern motortrucks. The city's population has grown manyfold since the market was first established. Year-around supplies come from scores of distant producing sections. Shippers have streamlined their handling and packing methods. Hours and days have been cut from transportation schedules between shipping point and market.

Speedy trucks and arterial highways assure quick delivery from the market. But the market itself has failed to keep pace with modern developments. Supplies must be moved through the same narrow streets to and from the same store buildings as they were more than half a century ago. Hundreds of motortrucks must stand and wait while their loads are laboriously transferred by hand. Buyers, salesmen, truck drivers and helpers—all must spend long hours of tedious and costly delays, for delays are costly indeed in city distribution of perishable food products.

THE first great difficulty is of getting supplies into the market. Developing in an old part of the city, without plan or design, the market is made up of widely scattered and unrelated facilities. With no rail connection, cars can get no nearer than the river front, where they must be unloaded from ferries, or car floats, onto one of seven piers, or they may be placed on team tracks several miles distant and their contents hauled by truck to Washington Street. Steamship cargoes are unloaded at many other piers. Some products are sold and delivered from the piers, and others are hauled to the Washington Street stores to be sold. Buyers must visit several unloading points to obtain a complete list of products. Driveway space for trucks and teams is limited on the piers, and deliveries are slow and costly.

The total annual bill for direct deliveries from the piers, by the methods and charges known locally as "O. C." and "Pierhead delivery," is about \$800,000. Hauling between piers, team tracks and Washington Street stores, and from one store to another, adds up to the staggering sum of \$3,280,000 annually—just to assemble supplies within the Lower Manhattan market. But "cartage" (as it is still known in New York from the old horse-and-cart days) is not the only cost of moving these supplies through the market. In addition, there is the hire of all the porters who carry the produce or push it on hand trucks between the stores and the waiting motortrucks. This amounts to another \$1,340,000 in a year.

TOTAL annual cost, then, of just the physical handling, hauling, and delivering in the Lower Manhattan market amounts to \$5,420,000. Much of this is due to the scattered unloading and delivery points, requiring an immense amount of hauling to concentrate supplies for sale in the market area. If sales platforms and stores were arranged so that incoming supplies could be unloaded directly at the place

where they are to be sold, much of this hauling would be eliminated. If streets were wide and sales platforms and stores had both front and rear entrances, so that trucks could back up to the sales floors and then get away promptly, instead of parking parallel to sidewalks in narrow congested streets, the amount of handling would be greatly reduced.

This would not only save a large part of the annual cash outlay for hauling and handling. It would mean a great saving in time—an important factor in the distribution of fresh fruits and vegetables. Of equal importance would be the lessened deterioration of these perishable food products, resulting from decreased handling, bruising, and exposure.

Other savings might be made in methods of doing business. Land values are high here in the shadow of the skyscrapers, but efficient distribution of fruits and vegetables requires lots of space. Thousands of tons must be handled in a few hours. Space must be provided not only for the display and sale of the products themselves, but also for thousands of motor trucks and other vehicles which transport them. Most of the business must be done on the ground floor, so it is essentially a one-store industry. Since the market cannot be built high in the air like a department store, or like the office buildings nearby, nearly all of the overhead costs must be carried by the ground floor. Therefore, high land values will inevitably mean either high rental charges on the industry for supporting the large capital investment, or inadequate space and facilities for the proper handling of perishables.

WHY is it that these produce markets remain in the same old cramped, inadequate, and obsolete quarters in so many of our cities? Other industries move as the cities grow, but seldom does the fruit and vegetable industry unless compelled to move by outside forces, as when a market area is taken over by a city

for other uses. Perhaps the nature of the business itself is partly responsible. Most wholesalers of groceries, or shoes, or hardware, for example, are also located in certain sections of the city, much in the same way as are produce merchants. A few of the wholesalers of these commodities may decide that their location is outgrown or that they could do better in some other part of town, but the others prefer to remain where they are. The methods by which these products are sold and delivered may be such that these few dealers can move to a new location, still attract their buyers, and eventually establish a new wholesale district.

But for the distribution of fruits and vegetables, buyers must go to market during the night or early morning and rush their supplies back to their stores for that day's business. Speed is urgent. Buyers wish to make purchases as quickly as possible. A wholesaler who is off the beaten path just does not get customers, and a few firms cannot step out by themselves into a new location. All have to go together, or suffer the serious consequences of a split market. The greater the number of dealers, the greater the difficulty of getting them to agree to any program of action.

A complete, centrally located produce market in New York, with adequate space and modern facilities, built on land of moderate cost, could effect savings of several million dollars in the annual bill for distribution of fruits and vegetables, over and above the amortization of construction costs. Conditions in the market are of very real concern not only to local wholesalers, jobbers, and retailers, but to many thousands of growers throughout the country, millions of consumers in the New York area, railroads, trucking companies, and others. All these interests have a large stake in the market, a definite interest in its efficient operation, and a real concern in efforts to improve upon existing conditions.

W. CALHOUN.